

**THE INSURANCE CODE OF 1956 (EXCERPT)**

**Act 218 of 1956**

**CHAPTER 58**

**GENERAL MUTUAL INSURERS (DOMESTIC)**

**500.5800 Applicability of chapter.**

Sec. 5800. (1) This chapter applies only to domestic mutual insurers transacting property, casualty, disability, and other insurances and to mutual holding companies resulting from the reorganization of those mutual insurers.

(2) This chapter does not apply to any domestic insurer doing business on August 10, 1917, unless the insurer fully complies with this chapter and by resolution of its board of directors duly certified to by the president and secretary and filed with and approved by the commissioner elects to adopt the provisions of this chapter, in which case the insurer may thereafter effect such kind or kinds of insurance as specified in its articles of incorporation as then or thereafter amended or as may be specified in the resolution.

(3) A person incorporating under this chapter after January 1, 1984, is subject to the minimum financial requirements of sections 408 and 410. Any corporation incorporated under this chapter on or before January 1, 1984, shall continue to be subject to the provisions of section 5810(3).

(4) A domestic mutual insurer transacting property, casualty, disability, and other insurances may be reorganized pursuant to chapters 59 and 60.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1970, Act 180, Imd. Eff. Aug. 3, 1970;—Am. 1984, Act 386, Eff. Mar. 29, 1985;—Am. 1998, Act 457, Imd. Eff. Jan. 4, 1999;—Am. 2000, Act 8, Imd. Eff. Feb. 25, 2000.

**Popular name:** Act 218

**500.5803 Mutual holding company resulting from reorganization considered as domestic mutual insurance company.**

Sec. 5803. A mutual holding company resulting from a reorganization under chapter 60 shall be considered a domestic mutual insurance company under this act except that the mutual holding company shall not be issued a certificate of authority to issue policies or transact the business of insurance.

**History:** Add. 2000, Act 8, Imd. Eff. Feb. 25, 2000.

**Popular name:** Act 218

**500.5804 Domestic mutual insurers; incorporation.**

Sec. 5804. (1) Any number of persons, not less than 20, a majority of whom shall be bona fide residents of this state, by complying with the provisions of this chapter, may become together with others who may hereafter be associated with them or their successors, a body corporate, for the purpose of carrying on the business of mutual insurance as herein provided.

(2) Any persons proposing to form any such insurer shall subscribe and acknowledge articles of incorporation in accordance with chapter 50.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218

**500.5810 Domestic mutual insurers; qualification for certificate of authority.**

Sec. 5810. No such insurer shall issue policies or transact any business of insurance unless it shall hold a certificate of authority from the commissioner authorizing the transaction of such business, which certificate shall not be issued until and unless the insurer shall comply with the following conditions:

(1) It shall hold bona fide applications for insurance upon which it shall issue simultaneously, or it shall have in force at least 20 policies to at least 20 members for the same kind of insurance upon not less than 200 separate risks, each within the maximum single risk described herein.

(2) The "maximum single risk" shall not exceed 20% of the admitted assets or 3 times the average risk or 1% of the insurance in force, whichever is the greater, any reinsurance taking effect simultaneously with the policy being deducted in determining such maximum single risk.

(3) It shall have collected from each applicant in cash a premium upon each application which premium shall be held in cash or securities in which insurers are authorized to invest and shall be equal to at least \$25,000.00: Provided, however, The cash assets of such insurer shall be not less than \$50,000.00, 1/2 of which shall be derived from cash premium payments from the original applicants, and the balance may come from premiums on additional applications or contributions as provided in section 5836, and in case of workmen's compensation insurers, the minimum premiums required to be collected from original applicants

shall be \$50,000.00 with minimum cash assets of \$100,000.00 created as heretofore provided in this subdivision.

(4) For the purpose of transacting employers' liability and workmen's compensation insurance the applications shall cover not less than 20 employers having employees of not less than 5,000, each such employee being considered as a separate risk for determining the maximum single risk.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218

#### **500.5814 Repealed. 1970, Act 180, Imd. Eff. Aug. 3, 1970.**

**Compiler's note:** The repealed section pertained to kinds of insurance permitted mutual insurers.

**Popular name:** Act 218

#### **500.5818 Domestic mutual insurers; rights of corporation and other bodies to be members.**

Sec. 5818. Any public or private corporation, board or association in this state or elsewhere may make applications, enter into agreements for and hold policies in any such mutual insurance company. Any officer, stockholder, trustee or local representative of any such corporation, board, association, or estate may be recognized as acting for or on its behalf for the purpose of such membership, but shall not be personally liable upon such contract of insurance by reason of acting in such representative capacity. The right of any corporation organized under the laws of this state to participate as a member of any such mutual insurance company is hereby declared to be incidental to the purpose for which such corporation is organized and as much granted as the rights and powers expressly conferred.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218

#### **500.5824 Domestic mutual insurers; voting rights of members.**

Sec. 5824. Every member of the company shall be entitled to 1 vote, or to a number of votes based upon the insurance in force, the number of policies held, or the amount of premiums paid, as may be provided in the bylaws.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218

#### **500.5828 Domestic mutual insurers; contingent liability of members; nonassessable policies.**

Sec. 5828. (1) The policies shall provide for a premium or premium deposit payable in cash and, except as herein provided, for a contingent premium at least equal to the premium or premium deposit.

(2) Such mutual insurer may issue a policy without a contingent premium while it has a surplus equal to the capital required of a domestic stock insurer transacting the same kinds of insurance, and in no event shall the holder of any such policy be liable for a greater amount than the premium or premium deposit expressed in the policy.

(3) If at any time the admitted assets are less than the reserve and other liabilities, the insurer shall immediately collect upon policies with a contingent premium a sufficient proportionate part thereof to restore such assets, provided no member shall be liable for any part of such contingent premium in excess of the amount demanded within 1 year after the termination of the policy. The commissioner may, by written order, direct that proceedings to restore such assets be deferred during the time fixed in such order.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218

#### **500.5836 Mutual insurers; borrowed capital.**

Sec. 5836. A mutual insurer organized under this chapter may borrow or assume liability for the repayment of a sum of money sufficient to defray the reasonable expenses of its organization or to provide the securities to be deposited with the state treasurer as required under this act, or to enable it to comply with any requirement of law, upon an agreement that has first been submitted to and approved by the commissioner, that the sum shall be repaid with interest accrued in a manner and at a rate approved by the commissioner. The agreement under which the sum is obtained shall provide that any claim for its return shall be inferior and subordinate to all claims of and reserves for policyholders and creditors. Interest shall be paid and principal shall be retired only out of the surplus earnings of the insurer and with the approval of the commissioner whenever, in his or her judgment, the financial condition of the insurer warrants it, except that approval shall be withheld if repayment will reduce the surplus to an amount that is less than the amount determined adequate to comply with section 403. Any sum advanced shall not form a part of the legal liabilities of the

insurer but until repaid all statements published by the insurer or filed with the commissioner shall show the amount remaining unpaid.

**History:** 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1994, Act 226, Imd. Eff. June 27, 1994.

**Popular name:** Act 218

**500.5840 Domestic mutual insurers; deficiency in assets; assessment of members.**

Sec. 5840. Such insurer not possessed of assets at least equal to the unearned premium reserve and other liabilities shall make an assessment upon its members liable to assessment to provide for such deficiency, such assessment to be against each such member in proportion to such liability as expressed in his policy: Provided, The commissioner may, by written order, relieve the insurer from an assessment or other proceedings to restore such assets during the time fixed in such order.

**History:** 1956, Act 218, Eff. Jan. 1, 1957.

**Popular name:** Act 218